



COMMUNITY DEVELOPMENT  
FINANCIAL INSTITUTIONS FUND

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

**Highlights of the Testimony of CDFI Fund Director Ellen Lazar  
Before the Senate Appropriations Subcommittee on VA, HUD and Independent Agencies  
April 12, 2000**

On April 12, 2000 Ellen Lazar, Director of the Community Development Financial Institutions Fund (the Fund) testified at a hearing on Fiscal Year 20001 appropriations before the U.S. Senate Subcommittee on VA, HUD and Independent Agencies.

In her testimony, Director Lazar highlighted: (1) the current state of the management of the Fund; (2) the demand for Fund awards in FY2000; (3) the impact of the Fund's awards on CDFIs and distressed communities; and (4) the Fund's priorities for FY2001.

**The CDFI Fund.** The CDFI Fund's Vision is an America in which all people have access to capital and financial services. The Fund's Mission is to promote access to capital and local economic growth by directly investing in and supporting CDFIs; and by expanding financial service organizations' lending, investment and services within underserved markets.

**Managing for Results.** For the third consecutive year in a row, the CDFI Fund has received an unqualified audit opinion from its independent auditors KPMG Peat Marwick. In addition, there were no material weaknesses or reportable conditions for the second consecutive year.

The Fund's commitment to strong management has resulted in an unprecedented level of activity. The Fund has certified 380 CDFIs in 47 states, the District of Columbia and the Virgin Islands. To date, the Fund has provided more than \$300 million in awards. Most recently, the dollars awarded in 1999 reflects a 32% increase over dollars awarded in 1998.

**Demand.** In FY2000 the Fund experienced the greatest demand for program dollars since its inception. To help meet this demand, the Fund was able to use a small carryover of \$10 million from FY1999 to add to the \$95 million that was appropriated last year bringing the total funds available for FY2000 to \$105 million. But this \$105 million is well below the demand for the Fund's programs as outlined below:

- **Bank Enterprise Award (BEA) Program.** The Fund announced it would make \$25 million available this round. The Fund received 228 applications this round – a 64% increase. The Fund's preliminary review of the applications received shows that if the applicants complete all of their projected activities, they would qualify for a total of \$109 million – 4 times the amount available.
- **Core Component – CDFI Program.** The Fund announced that it would make available \$50 million. 160 applications were received requesting \$264 million – over 5 times the amount available.
- **Intermediary Component – CDFI Program.** The Fund announced that it would make available \$6 million and received applications reflecting \$9 million.
- **Technical Assistance Component – CDFI Program.** The Fund has announced that \$4.5 million is available this round. The TA Component is still open. The Fund expects the TA Component to similarly be oversubscribed.

Each year the Fund has experienced greater demand for its programs. The Fund expects this trend to continue as the industry continues to grow and strengthen through training, technical assistance and private sector investment.

**Performance and Impact.** The Fund recently administered a survey to all 1996 and 1997 awardees – a total of 71 organizations – to determine the impact of the Fund’s investments. These awardees were selected to receive the survey because they have had at least one year to absorb the Fund’s investments and put them to work. To date, the Fund has received and analyzed responses from 53 awardees. Together, these 53 organizations received \$50 million in assistance from the Fund. Preliminary data indicates that these organizations:

- Made \$1.5 billion in community development loans and investments;
- Supported over 6,000 microenterprises and businesses;
- Created or maintained roughly 37,000 jobs;
- Developed or rehabilitated over 28,000 units of affordable housing;
- Developed or supported close to 750 community facilities, including childcare centers, health care centers, charter schools and job training centers; and
- Provided business training, credit counseling, homebuyer training and other development services to almost 33,000 individuals and organizations.

These 53 awardees have also strengthened their own capacities enabling them to deliver products and services to the diverse communities they serve. Their total assets have increased by 119% growing from \$685 in the aggregate before receiving a CDFI Fund award to nearly \$1.5 billion in the aggregate in 1999. Based on the Fund’s sample:

- 72% of the clients they serve are low-income;
- 59% of the clients they serve are minorities;
- 51% of the clients they serve are women;
- 55% of the clients they serve live in the inner-city;
- 35% of the clients they serve live in rural areas; and
- 10% of the clients they serve live in suburban areas.

Finally, the Fund’s awardees have leveraged significant additional capital. The 53 awardees estimate that an additional \$215 million in capital over and above the \$50 million raised as part of the Fund’s 1:1 matching funds requirement can be directly attributed to receipt of a CDFI Fund award.

**FY 2001 Priorities.** The President’s FY 2001 budget request includes \$125 million in appropriations for the CDFI Fund. This request is \$30 million above the FY 2000 funding levels. These additional appropriations are needed to assist the Fund in its efforts to continue to meet the great demand for its programs. In every year since the Fund’s inception, interest in its programs has increased. This year has been no exception to that rule as demonstrated above (see “Demand”).

Within the FY 2001 budget, the Fund has also included initiatives to reach populations that we want to serve more effectively. Specifically, the budget includes a \$5 million set-aside to establish training and technical assistance programs that serve Native American, Alaskan Native and Native Hawaiian communities (an evolution from the Fund’s Native American Lending Study as mandated by Congress). In addition, the Fund plans to continue focused outreach to rural areas not adequately served by CDFIs and to make additional innovations in its programs in order to better serve small and emerging CDFIs (as recommended in last year’s Conference Report).